

Hawaiian Electric Company, Inc. • PO Box 2750 • Honolulu, HI 96840



Scott W. H. Seu
Manager
Energy Projects Department

October 4, 2004

Mr. Mike Gregg
Vice President of Sales
Hess Microgen
1 Hess Plaza
Woodbridge, NJ 07095

Dear Mr. Gregg:

As follow up to my letter of August 18, you and I met on September 13 and discussed the terms of terminating the teaming agreement between Hess and HECO that was entered into on February 11, 2003. Hess concurred with the termination of the agreement and continuing to work with HECO and its subsidiary utilities on the five CHP projects identified in the letter. However, with respect to the third element of the August 18 letter, namely HECO's desire to evaluate Hess' existing CHP installations within the HECO, MECO, and HELCO service territory for possible purchase of individual units, Hess informed us that that would not be possible as Hess' objective was to sell its CHP installations nationwide as a package, and not to sell them on an individual site-by-site basis.

To that extent, with this letter I would like to formalize our companies' mutual agreement on terminating the teaming agreement and continuing our work on the five CHP projects.

This letter proposes the following terms:

1. HECO and Hess agree to terminate the teaming agreement between our companies that was entered into on February 11, 2003, with the effective date of termination being the date of Hess' acceptance of the terms of this letter;
2. HECO will continue to work exclusively with Hess on the following CHP projects:

Oahu: Pacific Allied

Maui: Maui Prince, Wailea Marriot

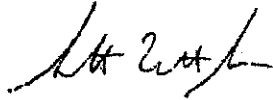
Big Island: Sheraton Keauhou, North Hawaii Community Hospital;

If you are in agreement with these terms, please confirm this by signing below.

Finally, you are aware that HECO recently issued a request for qualifications ("RFQ") to Hess and other potential CHP equipment vendors. We will begin reviewing responses to the RFQ in the next few days, and therefore, for the purposes of the RFQ, we will proceed forward as if the HECO-Hess teaming agreement is no longer in effect.

Please do not hesitate to call me at (808) 543-4805 if you have any questions.

Sincerely,



ACCEPTED BY:


Hess Microgen LLC

10/7/04
Date

cc: K. Stahlkopf
R. McQuain

